

Managing for Improved Results

Final Report

**Managing for Improved Results Steering Group
U.S. Environmental Protection Agency**

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Introduction

In managing for results, EPA works with its partners to set strategic goals for protecting human health and the environment, to plan and budget to achieve environmental results under these goals, to measure our progress, to assess how well and at what cost our programs are achieving their intended results, and to make continual adjustments to improve our performance.

—Managing for Improved Results Vision Statement

Background

In 1996, in response to internal and external reviews, EPA chartered the Planning, Budgeting, and Accountability Task Force. Guided by the requirements of the Government Performance and Results Act (GPRA), reviews by EPA's stakeholders, and the Agency's desire to strengthen its performance-based management processes, the Task Force recommended a major restructuring of the Agency's planning, budgeting, and accountability systems. As a result of these recommendations, EPA has instituted numerous planning and budgeting reforms. Today, EPA sets long-term strategic goals and objectives and establishes annual performance goals and measures that are linked to its budget. The Agency has been widely recognized for tying its budget to performance; in 2002, EPA was one of three federal agencies awarded a "yellow light" by the Office of Management and Budget (OMB) on the performance/budget integration portion of the President's Management Agenda Scorecard. By integrating its planning and budgeting and implementing other systems changes, EPA has been better able to assess its program and financial performance and use results information to make budget decisions and adjust program strategies.

While EPA has made progress in planning and budgeting, we must continue to look for ways to adjust these processes and approaches to improve the way we manage for results. In recent years, external reviews and internal Agency initiatives have pointed to the need for reforms that will result in more focus on measurable environmental performance. Regional offices and states have expressed frustration with a perceived lack of flexibility to deviate from national priorities in order to focus on unique localized problems. National program managers, in turn, are under pressure to defend their budgets and demonstrate progress in terms of national program priorities, which are often driven by statutory or court-ordered mandates. All participants in environmental programs have identified the need for more outcome-based performance measures for which high-quality data are readily available. OMB and the White House have identified performance-based planning and budgeting as one of the major management priorities for all federal agencies.

Charge to the Steering Group

In June 2001, the Deputy Administrator directed the Office of the Chief Financial Officer (OCFO) to lead an effort to sharpen the Agency's focus on achieving results. OCFO assembled a "Managing For Improved Results" Steering Group to examine a number of current management practices—including priority-setting, planning and budgeting, and performance tracking and reporting—with an eye toward dramatically improving approaches and systems. The Steering Group was charged to make recommendations to the Deputy Administrator for significant and far-reaching reforms, some of which would be implemented over several years, and for smaller-scale, immediate improvements in everyday practices.

Process

In its *Vision for Managing for Improved Results* (included as Appendix 1), the Steering Group outlined Agency-wide, national program, and regional elements for managing for results. To broaden its perspective on results-based management, the Steering Group sought advice from partners and stakeholders by hosting panels of state and tribal and private-sector representatives. The Steering Group also surveyed other federal agencies and a sample of state officials to gain perspectives on how other organizations manage for results.

The Steering Group chose to focus on four major areas of EPA's management processes for improvement or reform, and it created four staff-level project teams to explore these elements of its vision for results-based management: (1) EPA looks to the future and plans strategically; (2) EPA's annual planning and budgeting reflect the alignment of GPRA strategic objectives and annual goals and measures; regional, state, and tribal priorities; and Memoranda of Agreement (MOA) processes; (3) EPA uses more and better outcome measures, focused on results; and (4) EPA builds management capacity and incentives to implement results-based approaches.

During Fall 2001, as the four project teams developed options for long-term improvements and reforms, the Steering Group focused its attention on potential near-term improvements to everyday practices. In December 2001, the Steering Group provided the Deputy Administrator with several recommendations that could be implemented immediately to improve current planning and budgeting processes. In March 2002, the Steering Group provided an additional set of recommendations, primarily focused on the Strategic Plan revision and FY 2004 planning and budgeting processes. These two sets of recommendations, along with their implementation status, are summarized in the "Recommendations for Near-Term Improvements" section which follows and presented in their entirety in Appendix 2.

In April 2002, the staff project teams presented the Steering Group with sets of options for major reforms in the four areas of focus. These options provided the basis for the Steering Group's final recommendations, which are presented in the "Recommendations for Longer-Term Improvements" section of this report.

Improving Results-Based Management at EPA

The Steering Group recommendations address several opportunities for the Agency to improve the way it manages for results. Recurring themes throughout Steering Group discussions highlighted the need to improve strategic planning, particularly in light of the Agency's current efforts to revise its Strategic Plan for submission to Congress in 2003; to improve performance measures and the "feedback loop" by which the Agency uses performance data and program evaluation information to adjust its program strategies, approaches, and activities; and to strengthen the Agency's accountability for achieving results. In exploring these issues, the Steering Group also discussed a variety of tools and incentives that might be used to build the Agency's capabilities for results-based management. These themes are reflected in the recommendations which follow, both for near-term improvements and more far-reaching reforms.

However, implementation of these recommendations alone will not completely realize the Steering Group's goals or fulfill its vision. Improving the way the Agency manages for results is a continuing process which requires consistent senior management attention. The Steering Group believes that, as the Agency did in 1996 and is doing again today, EPA should periodically evaluate its progress and strive to identify further opportunities to improve its management processes to achieve environmental results.

Recommendations for Longer-Term Improvements

Improving Planning: Increasing the Value of the Strategic Plan

Background

In 1997, as required by the Government Performance and Results Act (GPRA), EPA produced a 5-year Strategic Plan that outlined our mission, established our goals and objectives, and described the means and strategies we would employ to reach our goals and achieve results. GPRA requires agencies to revise their strategic plans every 3 years, and EPA submitted a revised Plan to Congress in 2000. The Agency's 1997 and 2000 Strategic Plans were structured around ten goals, representing a mix of environmental outcome-oriented goals such as Clean Air and Better Waste Management, and functional or support goals such as Quality Environmental Information and Effective Management. The ten goals are supported by a strategic architecture—a series of objectives, sub-objectives, and annual performance goals and measures that lead to the achievement of our goals.

The Managing for Improved Results Steering Group identified several issues related to the value of the Strategic Plan and our current strategic architecture in promoting results-based management. First, the current 10-goal structure tends to align with the Agency's major media programs, making it difficult to clearly reflect multimedia, cross-media, or geographic projects in the Agency's planning and budgeting processes. This difficulty poses a particular problem for regional offices, which, in several cases, found the Agency's current 10-goal structure to be unaccommodating, or at worst, irrelevant to their regional/state planning and priority-setting. As a result, some regions have developed their own strategic plans based on regional goals and objectives that deviate from the goals presented in the Agency's Strategic Plan.

Further, the Agency has not routinely prepared subsidiary plans at the national or regional level that show how program and regional offices will contribute to the achievement of our ten strategic goals. Agency Goal Teams—organized around each of our ten strategic goals and managed by regional and program manager co-leads—have been responsible for developing the objectives and sub-objectives that lead to the achievement of their goals. However, Goal Teams have not been asked to map out their multi-year strategies for moving the Agency from where it is now to the achievement of these goals. Nor have regional offices been asked to describe how their activities will advance the Agency's progress toward its strategic goals and achieve results.

The Steering Group believes that such multi-year Goal and Regional Strategic Plans would make program and regional contributions toward achievement of the Agency's goals clearer, both to Agency managers and staff and in communications with our partners and stakeholders outside the Agency. Goal Plans would be useful as "road

maps” to assist program offices in planning and managing their work and would equip regions to engage with programs earlier and more meaningfully in setting annual goals and targets. Similarly, development of multi-year Regional Plans would facilitate the regional/state planning, priority-setting, and budgeting that feeds into our annual planning. In developing their plans, regions would have the opportunity to work earlier and more closely with states and with program offices in establishing the targets to be reflected in annual performance goals and measures. Regional Plans ultimately would be reflected in Performance Partnership Agreements, Performance Partnership Grants, and other grant agreements between EPA, states, and tribes.

Finally, in terms of the strategic architecture supporting the goals, the Steering Group identified a need to make more apparent the connections and linkages between the desired results or outcomes reflected in the objectives and sub-objectives and the selection of program or regional activities conducted to achieve those results. The Steering Group believes that EPA’s strategic architecture must more clearly evidence logical, causal linkages between our objectives, annual performance goals and measures, and the mix of activities program and regional offices will undertake to achieve these desired outcomes.

Recommendations

1. **Develop a new strategic architecture.** The Agency should use the opportunity presented by revision of its Strategic Plan for 2003 to establish a new set of strategic goals, objectives, and sub-objectives that reflect the results we are trying to achieve; set clear directions for the Agency; enable cross-Agency, cross-program planning; accommodate program and regional priority-setting; and reflect input from our partners and stakeholders.

Status/Update: In early July 2002, based on input collected from EPA senior managers; federal, state, and tribal partners; and stakeholders, OCFO developed a series of options for a revised mission statement and for a new strategic architecture framework. Senior Agency leaders met on July 17 for a full-day Strategic Planning Retreat to consider the options and to develop recommendations for the Administrator and Deputy Administrator.

Based on these recommendations, in late July the Administrator selected five areas—air, water, land, communities and ecosystems, and compliance and environmental stewardship—for which the Agency will develop new, outcome-oriented goals. These goals will provide the basis for EPA’s 2003 Strategic Plan. The Agency has established five Strategic Architecture Workgroups to develop specific goal statements and, with input from partners and stakeholders gathered through the Agency’s consultation efforts, to develop objectives, sub-objectives, and strategies to support achievement of the goals. The new draft strategic architecture is to be released for public review and comment in December 2002.

2. **Set and meet high standards for the 2003 Strategic Plan.** OCFO will be preparing guidance for the Agency to use in revising our Strategic Plan. The guidance, and OCFO's process for implementing it, should promote improved strategic planning, clearly directing the Agency to strengthen the links between program activities and desired outcomes and ensure that our strategic architecture and program strategies reflect a logical progression from activities to results. Development of guidance for our 2003 Strategic Plan presents the opportunity to:

- Hold programs accountable for establishing the linkage between desired outcomes and the near-term activities they will conduct to achieve those outcomes. This process should be informed by the logic modeling pilots currently being conducted within the Agency.
- Demonstrate more effectively the relationship between annual goals and measures and strategic objectives, by having programs clearly map their strategies for performance measurement to show how annual performance goals progress from one fiscal year to the next ("horizontal" linkages) and how, when taken together, annual performance goals will combine to achieve the sub-objectives and objectives ("vertical" linkages).

Status/Update: In its role as coordinator for development of the Agency's Strategic Plan, OCFO is providing guidance to national program offices, regional offices, and particularly to the Strategic Architecture Workgroups on the development of the new strategic architecture and supporting multi-year strategies that will be reflected in the 2003 Strategic Plan. Guidance issued in September provides criteria to assist Workgroups in developing outcome-oriented objectives and sub-objectives and preparing strategies that will make clear the progression from activities to desired results. OCFO is working with each Strategic Architecture Workgroup to develop architecture and strategies that reflect Steering Group recommendations and will continue to provide additional guidance and support throughout the Strategic Plan development process.

3. **Prepare Goal and Regional Strategic Plans.** To support the Agency's Strategic Plan and to ensure that national programs and regional offices have "road maps" outlining their contributions toward achievement of the Agency's goals, goal teams and regions should prepare written, multi-year strategic plans. Apart from their utility as management tools, preparation of these plans will make clearer to staff the links between their day-to-day activities and the outcomes to which the Agency has committed in its Strategic Plan.

- Goal Plans should be focused around attainment of strategic objectives. Goal teams, comprising representatives from all programs that contribute

to the goal, should articulate their strategies for moving from where they are today to achievement of the Agency's objectives. Goal teams would describe these strategies in brief documents that lay out the combination of activities that national program offices, regions, states, tribes, and other entities will conduct over several years to achieve the Agency's strategic objectives (outcomes).

In doing this planning, goal teams should ensure that national program contributions to the Goal Plan are coordinated and should strive for synergy across the programs. They should identify opportunities for joint and multimedia projects and opportunities to provide greater flexibility to regional offices. As part of the joint planning process, the national program managers (NPMs) on a goal team should look holistically at all proposed program priorities and their associated resource requirements to avoid over-subscribing regional resources and consequently limiting regional flexibility.

- Regional Plans may be focused around geographic problems and regional/state priorities, but should be linked to achievement of objectives and demonstrate the necessary balance between national and regional priorities. Regions should conduct strategic planning with appropriate parties, identifying the most significant environmental problems in the region and determining the needed combination of federal, state, tribal, local, and other activities (usually outputs) needed to address the problems. (Ideally, those problems would align with the Agency's strategic objectives, but will likely not in all cases.)

The results of their planning will better enable regions and states to participate in national and program-specific strategic planning, priority-setting, budgeting, setting of performance targets, etc. Each regional office should capture this planning in its written Regional Plan. In cases where national priority activities, such as permits or TMDLs, must be accomplished, Regional Plans would articulate how these activities can be brought together to help address regional problems while contributing to progress at the national level.

- Preparing Goal and Regional Plans should promote cross-Agency participation in planning and budgeting and encourage development of more coordinated national/regional/state strategies.
 - Based on their planning with states and tribes, and within the bounds of statutory requirements, regions should participate in setting targets in national annual performance goals (APGs) and annual performance measures (APMs) before they are submitted to Congress. In doing so, regions would commit to the number of the

activities they will accomplish to contribute to achievement of the APG or APM. This will require earlier discussion between regions and states about APGs and APMs and may help promote more regional/state “buy-in” on APGs and APMs.

- As part of the budget formulation process, regions could nominate shifts from one “NPM account” to another. For example, a result of regional planning and input may be a request to shift regional resources from water to air. OCFO would work with NPMs to aggregate shifts across programs, to be reflected in the President’s Budget as regional totals by program.
- Before Memoranda of Agreement are signed, regions must present to NPMs the regional choices they have made that will impact the program. As a part of this discussion, regions must demonstrate that they can provide programs with a higher level of accountability and better environmental results as a result of these choices. It should be recognized that resource shifting across or within programs may make it difficult to achieve national priorities. If the regions propose and support the need for substantial redirection of resources, the national priorities themselves may have to be reconsidered.

4. **Reform the Memorandum of Agreement process.** Over the years, the Agency has developed and refined its processes for establishing national program/regional performance agreements that are captured in Memoranda of Agreement (MOAs). Both regional and national program offices have expressed dissatisfaction with the time required to develop these MOAs, with their usefulness as tools for senior managers, and with the value they add to annual planning, budgeting, and accountability processes. For example, despite the substantial effort that goes into development of MOA guidances and final agreements between individual regions and NPMs, Regional Administrators recently expressed frustration with their difficulties in understanding how their regions’ performance compares to that of other regions and to NPM expectations. NPMs, in turn, suspect that the agreements are not always being taken seriously after they are signed. At the same time, states recognize the importance that MOA negotiations and documents have on their planning and priority-setting with their regional offices, and perceive that they need to have a stronger voice in the MOA process.

Region 5 led a team of managers and staff to examine the MOA process and identify ways to better manage the process and make it more useful to senior managers. While concluding that these incremental improvements have merit, the Steering Group recommends for the following reasons that the Agency undertake a major reassessment and fundamental reform of the MOA process

for FY 2005.

First, in the coming year, the Agency will implement a variety of Steering Group recommendations that are likely to obviate the need for MOAs as currently implemented. These recommendations include simplifying the structure of our Strategic Plan and making it more outcome-based; developing multi-year Goal and Regional Strategic Plans that align day-to-day activities with strategic objectives; accelerating the improvement of APGs and PMs so that they are more outcome-oriented and will promote flexibility and innovation; reforming our accountability processes; and creating new and earlier opportunities for regional, state, and tribal input into target-setting for outcome and output measures. However, the implications of these improvements for all programs and the impact they will have on annual planning processes cannot yet be predicted precisely enough to serve as the basis for designing a successor process to the current MOAs. For example, as part of the Strategic Plan development process, regional offices are meeting with states and tribes to discuss opportunities, challenges, and priorities under the new goal structure. The results of these discussions may assist program offices in establishing long-term targets for outcomes and near-term targets for key output measures, including statutory requirements. This would provide national, consolidated information to help determine realistic performance targets in the draft Annual Plan for OMB, would allow states and regions the flexibility to set priorities based on their own needs, and could provide the basis for regional/NPM performance agreements.

The Steering Group believes that the Agency needs time to consider such approaches and to implement other Steering Group recommendations before formulating an Agency-wide alternative to the current MOA process. In the interim, the Steering Group recommends that the Agency implement a streamlined MOA process for FY 2004 planning. Program offices would use the current work planning guidance (incorporating modifications to address White House and Congressional requirements) for another year, emphasizing core programs. Most priorities, initiatives, and core program elements would be held in place for an additional 12 months, as would guidance to states and tribes for their work plans. Regions would update program objectives and commitments as necessary. Consistent with the need for senior regional managers and state partners to have the opportunity to engage in the process at a level higher than do media-specific program managers, OCFO will develop a coordinated schedule. The Agency should use a standard format to prepare an executive summary of MOA guidance. The document should summarize national program priorities and identify expectations for regional commitments. This approach would streamline the MOA process while retaining commitments between national programs and regional offices and preserving accountability. This approach would allow managers and planning staff the time to concentrate on longer-term reforms and to design a fundamentally new process for FY 2005.

Implementation

The Agency is using the Strategic Plan revision process to effect these recommendations for improving the strategic architecture and developing supporting multi-year Goal and Regional Plans. For example, OCFO used the results of the Agency's consultation with partners and stakeholders to develop strategic goal framework options for consideration by Agency managers in July at an all-day meeting following the Budget Forum. Based on the Steering Group's discussion of strategic goals, OCFO developed criteria that managers used to review goal options. In addition, as part of its guidance to the Agency on the Strategic Plan revision process, OCFO is establishing approaches and standards that will encourage programs to (1) demonstrate clear, logical links between desired outcomes and the activities planned to achieve them and (2) develop a set of APGs and APMs for each objective that will demonstrate a logical progression toward achievement of the objective and "add up" to attain the desired outcome.

Finally, goal teams and regional offices will be preparing Goal and Regional Plans in parallel with development of the Agency's 2003 Strategic Plan. Our schedule for developing the 2003 Strategic Plan calls for draft objectives and sub-objectives to be established by January 2003. In order to develop this architecture, goal teams will be defining program and regional contributions over a period of years needed to achieve the objectives. This thinking, including the development (with state and tribal input) of APGs and APMs, will comprise the Goal Plans. OCFO will collaborate with senior managers and their planning staffs on an approach to developing Regional Plans that will achieve their intended purpose with a reasonable investment of time and resources.

Improving Performance Measurement: Emphasizing Outcomes

Background

To manage our programs effectively and to be able to demonstrate results, EPA needs annual performance goals and measures that track key aspects of our performance and show a logical progression toward achievement of the Agency's objectives. In general, the Steering Group's discussion of performance measurement focused on two aspects for improvement: (1) the clarity, quality, and utility of our performance measures and (2) the Agency's progress toward greater use of outcome-oriented measures for assessing results. The Steering Group believes that the Agency should hold program managers accountable for making progress on both of these fronts.

Regarding the clarity of EPA's performance measures, OCFO is already implementing several Steering Group recommendations for improving the language of the measures and the terminology the Agency uses to categorize and describe them. Among the Steering Group's larger concerns about the utility of our measures, however, were issues involving data

availability and data quality. There is often a disconnect between the quality of the Agency's performance measures and their supporting data. There are good measures that lack supporting data, and there are poor measures that have substantial data. The Steering Group believes that the revision of the Strategic Plan will provide another opportunity for us to consider the quality of our performance measures in terms of clarity, consistency, and availability of quality data and to revise them or secure higher quality data as necessary. If we are successful, as we select new strategic goals we will identify the outcomes necessary to achieve those goals, define measures for tracking progress, and take steps to ensure that we have data of sufficient quality to support the measures.

The Steering Group also concluded that, to manage for results effectively, the Agency needs a mix of output and outcome measures. While the Steering Group recognized that it may be unrealistic to expect EPA and states to be able to measure end outcomes like health or ecological effects annually, it did stress the need for the Agency to focus more on outcomes in order to track its performance under GPRA. Currently, over half of the non-research APGs under EPA's six environmental goals (Goals 1 through 6) are measures of outputs (Agency or state actions such as inspections, permitting, etc.). The Steering Group believes that NPMs and Lead Regions should work to move an increasing number of these output measures to intermediate outcome measures (such as actions taken by regulated entities, emissions reduced, etc.). Ultimately, to demonstrate results, the Agency should strive for a greater number of outcome-based measures.

Recommendations

1. **Develop program plans for improving APGs and APMs.** As the Agency prepares its 2003 Strategic Plan, NPMs should be encouraged to develop as many high-quality outcome measures as possible. NPMs responsible for each strategic objective should prepare an accompanying multi-year plan for improving the quality and outcome-orientation of the APGs and PMs associated with the objective. These plans could be integrated with the multi-year Goal and Regional Plans (see Recommendation 3 under "Improving Planning," above) or pulled together into an Agency-wide plan for performance measurement improvement.
2. **NPMs and Lead Regions identify improved measures.** NPMs and Lead Regions should collaborate in specific program areas to develop better performance goals and measures to track results. Regions can help to provide a "front line" perspective on improved measures to assess how well activities are achieving desired outcomes and results. Regions' active participation in performance measurement improvement should result not merely in data for tracking national results, but in more measures that they, states, and tribes will find useful in managing their programs day-to-day.

3. **Objectives, sub-objectives, and annual goals and measures are supported by adequate data.** As part of the Strategic Plan revision process, goal years should ensure that data of adequate quality will be available to support the objectives and sub-objectives that will be reflected in EPA's 2003 Strategic Plan and our annual goals and measures. Where it is desirable to establish an objective for which supporting data does not now exist, programs will need to discuss data availability issues with regions and states and together develop a plan for obtaining the data needed.
4. **Provide consultation and technical support to the Agency.** OCFO should expand the consultation and technical support it provides to the Agency for improving measures and, if necessary, be provided with additional resources to increase this assistance. Such support should include identifying the best Agency and state practices and applying these findings to improve our performance measurement. OCFO should also report periodically to the Deputy Administrator on Agency progress, by NPM and Goal, in improving measures.
5. **Use environmental indicators to help improve performance measurement.** The Agency should develop and use environmental indicators to demonstrate progress toward achieving long-term or intermediate outcomes. Program offices should use the *State of the Environment Report* indicators to guide development of the next, improved generation of outcome-based goals and measures, which would appear either as APGs and APMs in the 2004 Annual Plan or as improved objectives and sub-objectives in the revised 2003 Strategic Plan.

Implementation

During development of the 2003 Strategic Plan and the FY 2004 Annual Plan, NPMs should continue to work with OCFO, regions, states, and tribes to identify opportunities for improving measures. In addition, NPMs should designate a senior level contact to promote and "champion" performance measurement work in each program. This champion will be responsible for overseeing the process of improving the outcome orientation of the program's measures; facilitating outreach to regions, programs, and other partners; and ensuring that managers receive timely and appropriate training on results-based management and outcome measurement.

Preparation of Regional Plans (see Recommendation 3 under "Improving Planning," above) will provide an additional impetus for regions to engage earlier and more meaningfully with programs and states to develop annual performance goals and measures. As part of these discussions, regions, programs, and states can determine whether investing in obtaining better or additional data will pay off in our improved ability to measure and track progress. Finally, the Office of Congressional and Intergovernmental Relations (OCIR), through its leadership role in the Environmental Council of the States (ECOS)/EPA State Performance Partnership Workgroup, will continue to serve a liaison function between the Steering Group and ECOS and to ensure that implementation of Deputy Administrator's decisions will mesh with the

Workgroup's ongoing effort to clarify links between GPRA and EPA/state work planning and measurement processes.

Improving Accountability: Developing Mutual Accountability Processes Based on Performance Information

Background

The Steering Group targeted improved accountability and the use of performance information in a “feedback loop” as the most critical components of the Agency’s effort to improve the way it manages for results. Taken in its entirety, the accountability process encompasses a system that establishes performance targets; collects, analyzes, and interprets performance and results information; provides this data in feedback that managers can use to make strategic adjustments to programs and activities; and establishes accountability for managers charged with delivering results. Through its accountability processes, the Agency can work with its partners to assess progress and effectiveness and adjust strategies and approaches in order to achieve improved results.

The Steering Group feels that current accountability processes are or are perceived to be too “paternalistic” or top-down. The principle of mutual accountability is intended to reinforce the reality that all government players in environmental protection—national program offices, Agency support offices, regions, states, and tribes—have responsibilities that must be met successfully if we are to achieve improved results. Each entity should be accountable to the others for meeting its commitments. Therefore, accountability—represented by assessments of performance, fulfillment of commitments, and contributions to results—should flow both ways in the headquarters-region-state-tribal-local implementation chain. Additionally, the Steering Group believes that performance and results information should play a stronger role in our accountability processes, as it should in all stages of management decision-making.

The Steering Group, therefore, determined that EPA’s accountability processes should be governed by two principles: (1) accountability should be mutual, between program offices, between programs and regions, and between regions and states/tribes, and (2) performance information—both output and outcome data as well as results from program evaluations—must provide the basis for our accountability processes. The Steering Group further believes that we and our partners can improve our accountability processes by:

- **Thinking strategically, to identify the right things to focus on, the most effective implementation, and the actions that will create change;**
- Using outcome data wherever possible;
- Being transparent in how accountability and evaluation processes will work;
- Coordinating timing and approaches, for example so that regions will not

- be required to work with all NPMs at the same time;
Fully integrating all relevant players (for example, the Office of Enforcement and Compliance Assurance with media programs, the Office of General Counsel with all programs, and the Office of Research and Development with media programs).

Recommendations

1. **Adopt a “mutual accountability” approach.** To promote and strengthen accountability, program offices, regional offices, states, and tribes should develop and implement processes for “mutual accountability” that will allow us to evaluate our effectiveness and change our approaches in order to improve program implementation.
2. **Rely on performance and results information.** EPA’s accountability processes should be based on the use of performance information: analyzing performance data and identifying issues that need to be addressed in order to improve results. Ideally, we and our partners should increasingly rely on performance information in all of our day-to-day management decision-making. Using performance information to help establish priorities, budget, and set targets, for example, will ultimately enable better assessment of progress and results and provide clearer accountability.
3. **Expand use of program evaluations.** In addition to using performance measurement data, managers should conduct more program evaluations to help in determining program effectiveness and progress toward results. Program evaluations are NOT program reviews. Program evaluations are individual systematic studies conducted periodically or on an *ad hoc* basis to assess how well a program is working. A program evaluation’s typically more in-depth examination of program performance and context allows for an overall assessment of whether the program works and identification of adjustments that may improve its results. The Agency should employ a mix of short-term, focused evaluations and longer-term, broader evaluations examining the overall effectiveness of programs. In addition, managers should make use of program evaluations and reviews conducted by the Office of Inspector General (OIG), OMB, and other third-party evaluators.
4. **Report to Deputy Administrator on program evaluation activities.** Program managers should use their mid- and end-of-year meetings with the Deputy Administrator to discuss performance and to report on program evaluation activities, including program evaluations conducted by OIG, OMB, and other third-party evaluators. At mid-year meetings, managers should present their program evaluation commitments; in subsequent meetings, they should report on what has been done and explain how they are making use of these evaluations and reviews—how the findings of the program evaluation may change program

approaches or activities.

5. **Strengthen our communications on the Agency's performance.** To improve our accountability to and relations with our stakeholders and the public, the Agency should strengthen its efforts to communicate performance and results by:
- Providing the public an accessible (plain English), transparent account of how well we are achieving results and why what we do matters;
 - Avoiding sole reliance on the Annual Performance Report to communicate our results to the public. Instead, we should supplement it with regional state-of-the-environment reports or a new report for the general public that would present highlights drawn from the Agency's *State of the Environment Report* and Annual Report.
 - Using approaches and products that have worked well as models for communications efforts.

Implementation

Strengthening accountability among and between program offices, regions, and states will require genuine commitment from Agency managers and further focused discussion of principles and potential approaches. In terms of the accountability relationship between national program and regional offices, such a discussion might be taken up at an upcoming Regional Administrators' Meeting or at the Operating Year Priorities Meeting. A half-day session during these meetings could provide an opportunity for NPMs to present their vision for what constitutes a high-quality regional program and to make specific proposals for improved national program/regional accountability.

Similarly, because of the importance of its partnership efforts to the Agency, developing improved accountability systems between regions and states will require the full involvement of all parties. One approach would be to establish a working group of RAs and DRAs tasked with developing more refined principles of program/regional/state accountability and exploring various approaches. Regions could then take these ideas up with their states during regional/state meetings. Another approach is to rely on the ECOS/EPA Performance Partnership Workgroup to address accountability issues along with the other partnership improvements they are exploring.

Advancing the Practice of Results-Based Management: Building Agency Capability

Background

Clearly, to improve results-based management in EPA, Agency managers and staff must be equipped with the knowledge, skills, and tools they will need to implement performance-based processes. One theme that ran consistently through the Steering

Group's discussions and underlies many of the Group's final recommendations concerns the need not only to provide Agency managers and staff with practical training and technical assistance, but also to foster an Agency-wide understanding and appreciation of the principles of GPRA and the value of a performance-based approach to our work. To accomplish these ends, the Steering Group discussed the importance of building the Agency's capabilities in two broad areas: (1) providing leadership, at the executive/managerial level, to promote results-based management within EPA, and (2) developing staff and managers' skills to use the variety of tools and techniques available to support performance-based approaches—strategic planning, program evaluation, logic modeling, use of the hierarchy of indicators to develop performance measures, and other disciplines and methods.

Recommendations

1. **Develop leadership training modules.** The Agency should develop a training module on results-based management that could be incorporated into leadership development courses offered to new Agency managers. OCFO and the Office of Administration and Resources Management (OARM) should also investigate the feasibility of a more comprehensive training program for managers that would reach current Senior Executive Service (SES) managers, mid-level managers, and first-line supervisors with training tailored to their needs and responsibilities.
2. **Provide training/support “as needed.”** OCFO should develop “on-the-job” training programs and offer consultation and technical support as needed to program and regional office staff in:
 - Planning,
 - Performance measure development,
 - Program evaluation,
 - Logic modeling.

Implementation

The Steering Group concluded that an introduction to GPRA and the principles of results-based management should be made a standard component of the Agency's leadership development programs and offered on a continuing basis. As such, it would be targeted to EPA's future managers and might be incorporated into programs regularly offered to SES candidates, Presidential Management Interns, and other developing leader groups. There was some Steering Group support for training a broader audience of managers. To be most effective, such training would need to be tailored to EPA processes and to each level of management and would, therefore, require a significant investment of time and resources to develop and deliver. Nonetheless, the benefits of such tailored training could be great, and OCFO will work with OARM to explore how it might be accomplished.

The Steering Group also recommended that OCFO take the lead for preparing

more specific technical support, consultation, and training for Agency staff, and that OCFO be allocated the resources needed to develop and provide this support. Steering Group members urged that, in so far as is possible, such training and support be offered to NPMs, regions, and states in the context of their work, as they are implementing or conducting planning and budgeting processes, to enable managers and staff to “learn by doing.” Providing such support and resources to staff and managers when it is actually needed, rather than in a classroom or theoretical context, will increase its value and relevance.

Recommendations for Near-Term Improvements

The Deputy Administrator charged the Managing for Improved Results Steering Group to make recommendations for both significant and far-reaching reforms and opportunities for smaller-scale improvements in everyday practices. This section provides an overview of the recommendations for near-term improvements provided to the Deputy Administrator in December 2001 and in March 2002. Appendix 2 contains the full text of the Steering Group recommendations to the Deputy Administrator.

December 2001 Recommendations

1. **Mid- and end-of-year performance and results meetings.** The Deputy Administrator should hold focused mid- and end-of-year performance meetings with Goal Teams and national program managers (NPMs). These meetings would create an opportunity for senior managers to review progress toward annual and strategic goals and to factor performance information into decision making. End-of-year meetings with individual NPMs and their lead regions would focus mainly on Agency accountability for past fiscal year performance. Mid-year meetings with Goal Teams would address near-term performance but would generally be more strategic, focusing on key environmental challenges and Agency-wide efforts addressing those challenges, as well as on the progress and direction of individual programs and cross-media efforts.

Status/Update: Based on the Steering Group recommendations, the Deputy Administrator held meetings with Goal Teams in April and May of 2002 to review end-of-year 2001 and mid-year 2002 performance and assess progress toward strategic objectives. These performance reviews were integrated with the first phase of the FY 2004 planning process, discussed below.

2. **Using regional visits to focus on performance and results.** The Deputy Administrator should use her regularly scheduled regional visits explicitly to discuss planning and performance-related issues. This will promote regular use of a range of tools, including regional strategic planning, performance tracking, and program evaluation, to address priority environmental problems and to foster development of the regional work force to respond to new challenges.

Status/Update: The Deputy Administrator accepted this Steering Group recommendation and implemented it in visits to five regional offices in Spring 2002. In preparation for these visits, the NPMs provided the Deputy Administrator and each Regional Administrator with region-specific performance information in national priority areas to guide discussions of performance. In each region, the Deputy Administrator and the senior regional managers discussed the region's performance toward meeting national program priorities,

as well as performance in areas of geographic significance to the region.

3. **Early planning for FY 2004.** During the FY 2003 Operating-Year Priorities Meeting, NPMs and regions should provide a brief overview of expected FY 2004 priorities. In the final development of the FY 2003 budget, NPMs should outline for regions current expectations for FY 2004 annual performance goals and targets. This will improve coordination between NPMs and regions by bringing a longer-range perspective to the annual planning process and providing a longer lead time for communication and planning with states and tribes.

Status/Update: The FY 2003 Operating-Year Priorities Meeting (January 8-9, 2002) provided an opportunity for NPMs and regions to discuss current assumptions about FY 2004 annual performance goals and targets before submission of FY 2003 budget.

March 2002 Recommendations

1. **Begin development of EPA's 2003 Strategic Plan.** OCFO should develop a consultation schedule that allows for the meaningful involvement of partners and stakeholders while enabling the Agency to draft a revised set of strategic goals for review and consideration in Summer 2002.

Status/Update: OCFO has assembled an Agency-wide Strategic Plan Revision Team to guide the Agency's efforts to revise its Strategic Plan for submission to Congress in 2003. At the direction of the Deputy Administrator, OCFO and the Team have undertaken a full and open consultation and have developed a revision schedule and a consultation/outreach plan for eliciting input from the Agency's partners and stakeholders throughout the Strategic Plan development process. This input was used to develop strategic goal options for consideration by senior managers at a meeting on July 17. The consultation/outreach plan further establishes opportunities and approaches for obtaining partner and stakeholder input as the Agency establishes the objectives, sub-objectives, targets, and strategies that support achievement of its goals. These opportunities include a National Meeting of Partners and Stakeholders on EPA's Strategic Plan (held October 16, 2002), regional meetings with states and tribes, and meetings of program offices and goal teams with interested stakeholders.

2. **Incorporate futures analysis into the Agency's strategic planning.** Senior managers should engage in a strategic discussion about the Agency's goals. This discussion should be informed by futures analysis and possibly conducted as a strategic planning retreat in conjunction with the Agency budget forum (July 2002).

Status/Update: At a May 23 meeting on "Emerging Issues in Environmental

Protection” held in conjunction with the Planning Meeting, Agency senior managers heard presentations on two emerging issues with implications for the Agency’s long-term planning: fuel cell technology and genomics. In addition, managers identified a list of other emerging issues to be taken into account as the Agency establishes its strategic goals, objectives, and sub-objectives. In a related effort, OCFO also conducted a “Look-Out Panel” of leaders in technology, public policy, and other disciplines to assist the Agency in identifying future trends and issues that could impact EPA’s work. The results of these efforts were shared with managers across the Agency and used to inform goal-setting discussions (held July 17) and, perhaps more significantly, establishment of objectives, sub-objectives, and strategies during Fall 2002.

3. **Focus Spring 2002 meetings with the Deputy Administrator on performance and results.** The Spring 2002 meetings with the Deputy Administrator should serve as both a mid-year check-in on FY 2002 performance and as the beginning of the FY 2004 planning process. The meetings should address near-term issues but emphasize a longer-term perspective in terms of performance and results. The discussion should begin by addressing long-term results in the context of the strategic objectives in the current Strategic Plan.

In as streamlined a format as possible, senior managers would present and discuss: strategic objectives for which they are responsible; expected benefits of achieving these objectives, in terms of risk reduction or the other best available quantitative or qualitative measures; multi-year strategies in place for achieving these objectives; progress to date, using the best available environmental or other indicators; lessons learned from analysis of actual performance from FY 1999 through FY 2001; mid-year progress for FY 2002; and the contribution of FY 2004 to long-term results.

Status/Update: At the direction of the Deputy Administrator, the Goal meetings she convened in April and May were organized around the topics outlined above.

4. **Improved results focus and stronger roles for regions, states, locals, and tribes at the Agency’s Annual Planning Meeting.** Each region should propose one to three priorities it feels need attention in the FY 2004 planning process. A spokesperson for the regions should present a consolidated list of priorities and address how the proposed priorities help achieve strategic objectives, what specific results are expected in FY 2004 and beyond, and how results would be measured.

The Environmental Commissioners of the States (ECOS) and the Tribal Caucus should survey their membership to determine their priorities for EPA’s budget request for FY 2004. ECOS and Tribal Caucus representatives would then make presentations at the Annual Planning Meeting. NPMS in conjunction with their

Lead Regions should seek input on programmatic priorities from media-specific associations representing state, tribal, and local environmental managers. This input will be analyzed and compiled for use at the Annual Planning Meeting. OCIR and OCFO will work with the NPMs to seek input from associations representing State Departments of Agriculture, State Attorneys General, and State Departments of Health.

Status/Update: Representatives from ECOS and the Tribal Caucus made presentations at the FY 2004 Annual Planning Meeting. Written input from state health and agriculture officials and attorneys general was provided to planning meeting participants.

5. **Building performance and expected results into FY 2004 investment and disinvestment decisions.** Where appropriate, FY 2004 investments and disinvestment resource decisions should more explicitly include consideration of expected results and past performance. Specifically, senior Agency management should consider which investments we need in FY 2004 to keep us on track toward our strategic objectives. When performance is a determinative factor in investment and disinvestment decisions, this information should be clearly communicated to NPMs and the regions to reinforce the Agency's commitment to results-based management.

Status/Update: The Agency conducted the FY 2004 planning and budgeting process consistent with the Steering Group recommendation.

6. **Greater emphasis on results in the FY 2004 Annual Plan and Budget documents for OMB and Congress.** The Annual Plan and Budget, as well as other budget justification documents as appropriate, should place greater emphasis on results.

Status/Update: The annual planning and budget process for FY 2004 placed a greater emphasis on assessing the results achieved and used performance information to evaluate progress, set budget priorities, and inform budget decisions. This greater focus on results was reflected in the September budget submissions to OMB.

Recommendations for Immediate Implementation

During the course of the Managing for Improved Results effort, Steering Group members and staff focus area teams raised a number of ideas for improving results-based management that were viewed as useful, but less controversial or far-reaching than the bulk of the options being considered for recommendations. The Steering Group believed that these ideas could be easily implemented and would not require further deliberation or the attention of the Deputy Administrator. The recommendations which follow represent smaller scale or incremental improvements which OCFO leadership has already begun to effect.

To Improve Planning

1. **Continue improvements to annual planning and budgeting initiated during FY 2004 process.** The Agency needs to continuously improve its focus on performance and results in the annual planning and budgeting process. However, until FY 2004 reforms are implemented and evaluated, it is premature to propose specific reforms for future annual planning and budgeting cycles. OCFO should continue the improvements begun for the FY 2004 process but evaluate and modify these improvements, as appropriate, to further progress in results-based decision-making. The Strategic Plan revision process may suggest adjustments and improvements in annual planning beyond those implemented for the FY 2004 process.

To Improve Performance Measures

1. **Reduce the number of categories of APGs/PMs.** To simplify reporting and eliminate confusion stemming from the current multiple categories of APGs and PMs, OCFO should consult with key outside parties and work with programs to provide a single set of APGs/PMs for budget justification and for performance reporting in the Annual Report.

Status/Update: After consulting with OMB, for the FY 2004 budget/plan the Agency began using the same "single set" of APGs and PMs for purposes of budget justification and for performance accountability.

2. **Develop a consistent performance nomenclature.** To simplify and clarify performance measures, OCFO should work with program and regional managers and staff to develop a consistent nomenclature with clear definitions and examples of inputs, outputs, outcomes, and impacts.
3. **Prepare guidance.** OCFO should develop guidance and reinforce Agency efforts to:
 - Significantly reduce the use of compound measures that contain multiple parameters,

- Speak directly to the desired outcome over the relevant period of time,
- Eliminate technical jargon and acronyms in external measures, and
- Distinguish annualized from cumulative progress or change. Annual goals and measures should express what is to be achieved over the course of the year for which they are written.

To Improve the Agency's Capabilities to Manage for Results

1. **Establish an advisory board.** To strengthen the Agency's commitment to results-based management, establish a standing Results-Based Management Advisory Board (akin to the former PBAA Advisory Board) that would meet routinely to discuss issues related to EPA's implementation of performance-based management and provide advice and recommendations on improvements to the Deputy Administrator, Chief Financial Officer, and program and regional offices.
2. **Strengthen managers' abilities to work with budget and performance information.** To strengthen the Agency's commitment to integrate budget and performance and to enable cost-effective, informed decision-making, OCFO will work with program and regional managers and staff to enhance Agency managers' ability to understand and track the full costs, performance, and results of their programs through each phase of the budget cycle.

APPENDIX 1

A Vision for Managing for Improved Results

Managing For Results - A Definition

In managing for results, EPA works with its partners to set strategic goals for protecting human health and the environment, plan and budget to achieve environmental results under these goals, measure our progress, assess how well and at what cost our programs are achieving their intended results, and make continual adjustments to improve our performance.

Managing for Improved Results - Some Necessary Elements

Agency-Wide

1. **The Agency is able to communicate clearly and openly:** (1) the current state of the environment, (2) the environmental priorities and results that EPA is working to achieve, and (3) how the day-to-day work of EPA and its partners has led and will lead to these results.
2. **The Agency fulfills its statutory obligations** and promotes innovative, cost-effective and efficient approaches to protect the health of the American people and to safeguard the natural environment.
3. **Agency-wide strategic planning is conducted on a regular basis to set or adjust meaningful environmental outcome goals and priorities for the Agency,** involve key stakeholders in planning for current and future work, assess external threats to achieving our goals, continuously examine assumptions underlying our goals, and plan for possible future scenarios facing EPA.
4. **EPA's long-term strategic goals reflect top management choices on priorities and directions** with research, management, information, and enforcement/compliance closely linked or integrated with both short- and long-term environmental goals and objectives.
5. **An Agency-wide planning, budgeting, and performance reporting system is in place** that facilitates and encourages setting national, regional, state, and tribal environmental priorities.
6. **Meaningful cost, risk, financial, and environmental performance information is developed and made accessible for regular, systematic use by senior leaders in setting priorities,** making resource decisions, evaluating progress across Agency goals

and programs, examining assumptions underlying our goals and adjusting strategies.

7. **Senior leaders work together as a team and are held uniformly accountable for achieving environmental results.**
8. **Staff and managers work efficiently and understand how their work and their program fit into the Agency's long-term strategic environmental goals.** Staff and managers have cross-program knowledge and collaboration skills, so they understand which programs need to be aligned to achieve results, and they actively seek the assistance and cooperation of colleagues, partners, and stakeholders.
9. **The Agency's environmental information, financial, programmatic, human resource management, and administrative systems are aligned** to support results-based management.

National Program Managers (working with regions, tribes, states, other federal agencies, and stakeholders):

1. **Programs have a clear understanding of the causes and effects of the environmental problems** they are responsible for addressing.
2. **Meaningful long-term objectives are identified and stated as outcomes** to address environmental or human health problems.
3. **National program priorities are set collaboratively with regions, partners and stakeholders, based on** environmental risk information as well as cost and performance information.
4. **Strategies are developed with input from key partners** for how EPA will use available regulatory and non-regulatory tools to achieve near- and long-term environmental outcomes.
5. **Annual goals and measures are in place that track key aspects of EPA's performance (outcomes and outputs)** and progress toward strategic goals and objectives.
6. **NPMs systematically use performance measures, indicators, and program evaluation to assess the effectiveness of EPA's programs and activities in achieving environmental results** on a regular basis and make appropriate adjustments to approaches and activities.

Regional Offices (working with NPMs, states, tribes, other federal agencies, and stakeholders):

1. An accurate and reliable **inventory of environmental conditions** is developed and communicated.
2. **Places not meeting acceptable conditions** or needing protection from degradation are identified on a regular basis.
3. **Priorities are set among those places** not meeting acceptable conditions or needing protection from degradation.
4. **Pollution sources in targeted places** are identified and characterized on a regular basis.
5. **An integrated strategy** (including all relevant programs) is developed and put in place to address pollution sources (starting with most significant) in each targeted place.
6. The methodology is in place and continuously carried out to **track work commitments and results** (programmatic and environmental).
7. **Regions working with states and tribes systematically use performance measures, indicators, and program evaluation to assess the effectiveness of their programs and activities in achieving environmental results** on a regular basis and make appropriate adjustments to approaches and activities.
8. **The effectiveness of each strategy** is regularly reviewed (via performance measures and/or program evaluation) and appropriate adjustments are made.

APPENDIX 2

DECEMBER 2001 NEAR-TERM IMPROVEMENTS MEMO

MEMORANDUM

SUBJECT: Near-term Improvements in Results-Based Management

FROM: Managing for Improved Results Steering Group

TO: Deputy Administrator

You have charged our Steering Group with making recommendations regarding how the Agency can better focus resources on areas of greatest concern and achieve meaningful and measurable results. As you know, we have been looking for both significant and far-reaching reforms, and smaller-scale improvements in our everyday practices that we can implement immediately.

The purpose of this memo is to provide you with our initial recommendations for near-term improvements. Please note that the first two recommendations will require your direct involvement and a significant investment of your time. However, we believe they can be structured in a way to make the most efficient use of your and other senior managers' time. Most importantly, they will bring a new, more visible top leadership presence to planning and performance issues, which will yield benefits well beyond those of the specific actions. We believe that this involvement is critical in implementing an overall Agency strategy that will lead to more effective results. If you determine to move forward with any of the recommendations, we would be able to initiate that work in the next few weeks.

Recommendation 1: Mid- and End-of Year Performance and Results Meetings

Desired Outcome: To create an opportunity for senior managers to review progress toward annual and strategic goals and to factor performance information into decision making on program strategy and priority setting.

Recommended Action: We recommend that you hold focused mid- and end-of-year performance meetings with Goal Teams and national program managers. End-of-year meetings with individual NPMs and their lead Regions would focus mainly on Agency accountability for past fiscal year performance. The meetings would focus on successes and challenges identified by the evaluation of past fiscal year performance and will review progress in terms of measures, targets, and indicators. Mid-year meetings with Goal Teams would address near-term performance but would generally be more strategic, focusing on key environmental challenges and Agency-wide efforts addressing those

challenges, as well as on the progress and direction of individual programs and cross-media efforts. Mid-year meetings would also provide an opportunity to identify any needed mid-course corrections in light of changing conditions or priorities. Both sets of meetings would also be designed to stimulate continued progress in developing and utilizing outcome-oriented annual performance goals and measures.

Next Steps: OCFO would work with a sub-set of the Steering Group to develop an appropriate format and a short list of focused questions to help prepare for and guide these end-of-year meetings. OCFO would also propose options for NPMs to be included, a schedule for completing the meetings, and time allocation.

Timeframe: Meetings focusing on FY 2001 end-of-year performance results would take place in January 2002. Meetings addressing FY 2002 mid-year performance and implications for end-of-year and outyears would be held in April or May 2002 to inform and affect the summer budget development process.

Recommendation 2: Using Regional Visits to Focus on Performance and Results

Desired Outcome: To promote regular use of a range of tools, including Regional strategic planning, performance tracking, and program evaluation, to address priority environmental problems, and to foster development of the Regional workforce to respond to new challenges.

Recommended Action: We recommend that you set aside time during regularly scheduled Regional visits to explicitly discuss planning and performance-related issues. Meetings would address Regional strategic direction; integration of Regional strategic planning with National, State, Local and Tribal priorities; alignment of people and priorities; and emerging issues.

Next Steps: OCFO would work with a sub-set of the Steering Group to develop an appropriate format and short list of focused questions for these meetings, building on an initial set proposed by Region 1.

Timeframe: Format and questions would be ready for your next Regional visit, which is not yet scheduled.

Recommendation 3: Early planning for FY 2004

Desired Outcome: To improve coordination between NPMs and Regions, bring a

longer-range perspective to the annual planning process, and provide a longer lead time for communication and planning with States and Tribes.

Recommended Actions: (1) During the FY 2003 operating-year priorities meeting, NPMs and Regions provide brief overview of expected FY 2004 priorities and (2) During final development of the FY 2003 budget, NPMs outline for Regions current expectations for FY 2004 annual performance goals and targets in addition to those for FY 2003.

Next Steps: OCFO will provide guidance to NPMs and Regions on presentation of FY 2004 priorities at the priorities meeting and will request that NPMs discuss with Regions their current assumptions about FY 2004 annual performance goals and targets before submission of FY 2003 budget.

Timeframe: Operating Year Priorities Meeting January 8-9, 2002. FY 2003 President's Budget submitted to Congress early February.

Thank you for your support of the Steering Group, and for your commitment to improving results-based management. We plan to provide you with options for improvements to the FY 2004 planning and budgeting process in mid-January and with recommendations for more far-reaching changes and reforms in early Spring. If you have any questions, please contact David Ziegele at 564-9327.

MARCH 2002 NEAR-TERM IMPROVEMENTS MEMO

MEMORANDUM

SUBJECT: Recommendations for Near-term Reforms for Results-Based Management

FROM: Managing for Improved Results Steering Group

TO: Linda J. Fisher, Deputy Administrator
Linda M. Combs, Chief Financial Officer

The purpose of this memorandum and attachment is to provide you with the next set of recommendations from the Steering Group on Managing for Improved Results. In December Steering Group recommendations were approved to:

- ▶ build consideration of expected FY2004 performance into development of FY2003 annual performance goals in the President's budget and into the FY2003 Operating Year Priorities meeting,
- ▶ use Deputy Administrator trips to Regional Offices to focus on results, and
- ▶ institute end-of-year and mid-year senior management meetings to review performance and results and implications for management decisions.

The Agency has completed implementation of the first of these recommendations, the second is underway, and you will see that the third will be implemented through the proposal described below and in the attachment.

The Agency must very soon map out its approach to developing the FY2004 Annual Plan and Budget and begin the process to revise its Strategic Plan to comply with the Government Performance and Results Act (GPRA). Therefore, the Steering Group has focused its recent efforts on steps you and Governor Whitman can take in the coming weeks and months to reform the FY2004 planning and budgeting process and to begin an improved strategic planning process for a revised Strategic Plan in September 2003.

First, the Steering Group recommends that you approve its proposal for starting the planning and consultation process that will result in the Agency's September 2003 Strategic Plan. This will involve earlier and more extensive consultation with partners and stakeholders than the Agency conducted for its last Strategic Plan; opportunities for senior Agency managers to discuss long-range goals and strategies, as well as the results of the consultation, during already-scheduled meetings; and the introduction of a futures analysis approach to assist the Agency's long-range strategic planning. This process will result in options for a revised goal structure for you and Governor Whitman to consider this summer.

Second, the Steering Group recommends that you accept its proposed changes to the FY2004 planning and budgeting process, summarized below and outlined in more detail in the attachment. In addition to enhanced roles for Regions, States, and Tribes and better analysis of past performance, the improvements would provide more results information for decision-making and allow senior managers to consider the longer-term context of meeting our strategic objectives as we take up priorities for FY2004. At the end of this proposed process, we believe the Agency's FY2004 Annual Plan and Budget will better:

- ▶ Reflect input from States and Tribes,
- ▶ Incorporate priorities for Regional problem solving to complement national program delivery,
- ▶ Reflect the "feedback loop" from an analysis of our FY99-01 performance, and
- ▶ Incorporate a look ahead at the relative value of achieving our strategic objectives, consideration of the relative soundness of our strategies for achieving them, and a critical examination of how FY2004 activities will make a measurable contribution to long-term results.

With your approval of these recommendations or your preferred alternatives, OCFO staff will immediately begin working with the rest of the Agency and outside partners to implement them. In April, the Steering Group will complete its work by formulating recommendations for you on a multi-year approach to improving the Agency's ability to manage for results. If you have questions about these recommendations or the other reforms the Steering Group is addressing, please call David Ziegele at 202-564-9327.

Recommendations for Improving Longer-Range Planning and Development of EPA's 2003 Strategic Plan

The Steering Group considered staff recommendations associated with the long-term planning we need to do that will be reflected in the Agency's 2003 Strategic Plan. The Steering Group endorsed:

- ▶ OCFO's plan to develop a more detailed strategy for revising the Strategic Plan, including a full, participatory consultation process, and to share the strategy with planning contacts across the Agency; and,
- ▶ the proposal to use scheduled meetings – particularly the spring planning meeting and summer budget forum—as opportunities for senior managers to focus on longer-range, cross-cutting issues; to begin thinking about future trends and developments; and to discuss goals.

The Steering Group further recommended that,

- ▶ in developing the consultation plan, OCFO consider a schedule that will allow for the meaningful involvement of partners and stakeholders while enabling the Agency to draft a revised set of strategic goals as quickly as possible for your and

- ▶ Governor Whitman's review and consideration this summer ; and,
- ▶ that you support the incorporation of futures analysis work into the Agency's strategic planning and the proposal that senior managers engage in a strategic discussion about the Agency's goals, perhaps to be conducted as a strategic planning "retreat" in conjunction with the budget forum.

The Steering Group will be providing further recommendations on improving strategic planning at EPA in its April recommendations.

ATTACHMENT

Recommendations to Reform the FY2004 Annual Planning and Budgeting Process

Spring 2002 Meetings with the Deputy Administrator to Focus on Performance and Results

In December, you concurred with the Steering Group recommendation to conduct mid-year and end-of-year performance and results meetings. We recommend starting these meetings this spring and using them, in addition to a mid-year check-in on FY2002 performance, as the beginning of the FY2004 planning process. In the past, these meetings have been used primarily to communicate near-term programmatic and funding issues. We recommend that the meetings address near-term issues but emphasize a longer-term perspective in terms of performance and results.

The best starting point for a discussion of long-term results would be the strategic objectives in our current Strategic Plan. (These include, for example, nationwide attainment of the NAAQS for carbon monoxide by 2005, reducing risk from pre-1996 pesticide residue levels by 2006, and cleaning up 1105 NPL sites by 2005.)

In as streamlined a format as possible, senior managers would present and discuss:

- ▶ strategic objectives for which they are responsible,
- ▶ expected benefits of achieving these objectives, in terms of risk reduction or the other best available quantitative or qualitative measures (for example, adverse health effects avoided, jobs created, improved public access to data, etc.),
- ▶ multi-year strategies in place for achieving these objectives,
- ▶ progress to date, using the best available environmental or other indicators,
- ▶ lessons learned from analysis of actual performance from FY1999 through FY2001,
- ▶ mid-year progress for FY2002, and
- ▶ the contribution of FY2004 to long-term results.

The Steering Group believes this approach will provide top management with a longer-term and more results-based context for considering priorities and a clearer sense of relative priorities within and across Agency programs for the FY2004 annual plan and budget.

Annual Planning Meeting – Improved Results Focus and Stronger Roles for Regions, States, Locals, and Tribes

The Annual Planning Meeting, usually held in mid-May or early June, provides a forum for discussing priorities for the upcoming budget year and would follow shortly after the Spring 2002 meetings with the Deputy Administrator. As a new approach for FY2004, we recommend that the Annual Planning Meeting be structured in a way that more closely ties the FY2004 planning needs to achieving strategic objectives. Based upon discussions held at the mid-year performance meetings, you could decide in advance of the planning meeting which FY2004 proposed priority areas would benefit from more in-depth discussion in this Agency-wide forum. Presentations would focus on specific results that would be achieved from proposed new initiatives and how those results would be measured.

Building on the approach used in the FY2003 process to provide a forum for more in-depth consideration of Regional priorities at the Annual Planning Meeting, each Region would propose one to three priorities it feels need attention in the FY2004 planning process. A spokesperson for the Regions would present a consolidated list that could potentially include multi-Region proposals. In an improvement over last year's process, the Regional presentation would address how the proposed priorities help achieve strategic objectives, what specific results are expected in FY2004 and beyond, and how results would be measured.

Based on the input we received from State and Tribal representatives, the Steering Group recommends that State and Tribal participation continue to be a prominent component of the Annual Planning Meeting. We recommend seeking input from States and Tribes in three ways:

- (1) Similar to the approach used in the FY2003 process, ECOS and the Tribal Caucus would survey their membership to determine their priorities for EPA's budget request for FY2004. Based on lessons learned last year, the Agency would propose to both groups approaches that would help us make even better use of their input. ECOS and Tribal Caucus representatives would then make presentations at the Annual Planning Meeting.
- (2) Expanding upon this approach for the FY2004 process, we recommend that NPMs in conjunction with their Lead Regions, seek input on programmatic priorities from media-specific associations representing State, Tribal, and Local environmental managers. This input will be analyzed and compiled for use at the Annual Planning Meeting. To help facilitate analysis, OCFO will work with the NPMs to develop a standard format for this input.

(3) In order to incorporate the priorities of a broader set of partners than we have in the past, OCIR and OCFO will work with the NPMs to seek input from associations representing State Departments of Agriculture, State Attorneys General and State Departments of Health.

Building Performance and Expected Results into FY2004 Investment and Disinvestment Decisions

Subsequent to the Annual Planning Meeting, senior Agency management will be making decisions on FY2004 investments and disinvestments. We recommend that, where appropriate, these resource decisions more explicitly include consideration of expected results and past performance. Specifically, senior Agency management would consider which investments we need in FY2004 to keep us on track toward our strategic objectives. If we find that resources are not adequate in FY2004 to keep us on track toward our full array of strategic objectives, we may need to direct FY2004 investments toward our highest-priority objectives, and consciously accept slower progress toward lower-priority objectives and make targeted disinvestments in those areas. When performance is a determinative factor in investment and disinvestment decisions, we recommend that this information be clearly communicated to NPMs and the Regions to reinforce the Agency commitment to results-based management.

Greater Emphasis on Results in the FY2004 Annual Plan and Budget Documents for OMB and Congress

The Annual Plan and Budget documents the Agency's request for resources and provides an opportunity for the Agency to "tell its story" to OMB, Congress, and the public about the human health and environment results we will accomplish with a given level of resources. We recommend that the Annual Plan and Budget, as well as other budget justification documents as appropriate, place greater emphasis on results, through either a dedicated performance and results narrative section, or through a strengthened and refocused approach to the current narrative structure. The narrative discussion would go beyond a description of activities and would explain in more detail the accomplishments to be achieved as a result of the activities. It should explicitly address how base programs and new investments will achieve expected results and contribute to meeting our commitments in the Strategic Plan. This discussion would supplement the performance and results information that is currently provided in tables of Annual Performance Goals and Measures.

APPENDIX 3

Managing for Improved Results Steering Group Members

Jay Benforado

Office of Policy, Economics, and Innovation

Beth Craig

Office of Air and Radiation

Dona DeLeon

Office of the Administrator/ Office of
Congressional and Intergovernmental
Relations

Debbie Dietrich

Office of Research and Development

Joe Dillon

Office of the Chief Financial Officer

Linda Combs

Office of the Chief Financial Officer

Ira Leighton

Region 1

Rick Linthurst

Office of Inspector General

Stan Meiburg

Region 4

Jane Moore

Office of Administration and Resources
Management

Marcia Mulkey

Office of Pollution Prevention and Toxic

Substances

Ramona Trovato

Office of Environmental Information

Diane Regas

Office of Water

Bill Rice

Region 7

Mike Ryan

Office of the Chief Financial Officer

Mike Shapiro

Office of Solid Waste and Emergency
Response

John Spinello

Office of General Council

Mike Stahl

Office of Enforcement and Compliance
Assurance

Dave Ullrich

Region 5

David Ziegele

Office of the Chief Financial Officer

APPENDIX 4

Managing for Improved Results Project Team Members

OCFO Project Staff

Wendy Lubbe
Debbie Rutherford
Kathy Sedlak O'Brien
Anita Street
Carolyn Peavely

Focus Area 1:

EPA looks to the future and plans strategically.

Project Leaders

Alex Wolfe, OCFO/ OPAA
Debbie Rutherford OCFO/ OPAA

Team Members

Michael Binder (OIG)	Jim O'Leary (OSWER)
Henry Brubaker (Region 3)	Pasky Pascual (ORD)
Jim Cabot (Region 1)	Ariana Rickard (OCFO)
Bill Crews (OCIR)	Anita Street (OCFO)
Ginger Gotliffe (OECA)	Elizabeth Walsh (OCFO)
Mike Hadrick (OAR)	Louise Wise (OW)
Anna Miller (Region 5)	

Focus Area 2:

EPA's annual planning and budgeting reflect the alignment of GPRA strategic objectives and annual goals and measures; regional, state, and tribal priorities; and Memoranda of Agreement (MOA) processes.

Project Leader

Mary Jo Blumenfeld, OCFO/ OPAA

Project Team Members

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Focus Area 3:

EPA uses more and better outcome measures, focused on results.

Project Team Leader

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Focus Area 4:

EPA builds management capacity and incentives to implement results-based approaches

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